

RBI Press Release

RBI notifies Repayment of Packing Credit (November 1, 2002)

The Reserve Bank of India today issued instructions to commercial banks stating that the exporters may be allowed to repay/pre-pay packing credit (including for deemed exports), whether availed of in rupees or in foreign currency, out of the balances in Exchange Earners' Foreign Currency account (EEFC), as also, from rupee resources of the exporter to the extent exports have taken place. The Reserve Bank has asked banks to ensure that the goods have been shipped by the exporter complying with relevant exchange control regulations before extinguishing the outstanding packing credit in this manner, specifically with regard to realisation of export proceeds in accordance with relevant exchange control regulations. Further, in order to provide some more flexibility to the exporters, banks may, at their discretion, allow exporters to convert their draws under rupee pre-shipment credit into Pre-shipment Credit in Foreign Currency (PCFC).

It may be recalled that the Reserve Bank had, on October 29, 2002, announced in the mid-term Review of Monetary and Credit Policy for the year 2002-03 that subject to mutual agreement between the exporter and the bank, the repayment/pre-payment of pre-shipment credit would be permitted. For this purpose, balances held in the EEFC account of the exporter can also be used. The Policy had stated that while utilising this facility, the exporters would be required to adhere to the current regulations in regard to repatriation of export proceeds within the stipulated period. This facility would be available until further notice.